

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Bridgeport Public Library	County Saginaw
Fiscal Year End 12/31/06	Opinion Date March 1, 2007	Date Audit Report Submitted to State April 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

☒ ☐ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No issues to report this year	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Gardner, Provenzano, Schauman & Thomas, P.C.		Telephone Number 989-790-3900	
Street Address 4855 State Street Suite Six		City Saginaw	State MI
		Zip 48603	
Authorizing CPA Signature <i>Heather A. Thomas</i>		Printed Name Heather A. Thomas	License Number 1101024719

BRIDGEPORT PUBLIC LIBRARY
Bridgeport, Michigan

Financial Statements
December 31, 2006

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BRIDGEPORT PUBLIC LIBRARY

Board of Trustees
December 31, 2006

William Cannon	President
Charles Booth	Vice-President
Dan Burr	Secretary
Marlene Muhlenkamp	Treasurer
Portia Brown	Trustee
Gerardo Gonzalez	Trustee



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

March 1, 2006

To the Board of Trustees
Bridgeport Public Library
Bridgeport, Michigan

We have audited the accompanying financial statements of the governmental activities of the Bridgeport Public Library as of December 31, 2006, which comprise the Bridgeport Public Library's basic financial statements as listed in the table of contents, as of and for the year then ended. The financial statements are the responsibility of the Bridgeport Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Bridgeport Public Library as of December 31, 2006 and the respective changes in financial position for the year ended, in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

To the Board of Trustees
Bridgeport Public Library
Page Two

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

BRIDGEPORT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2006

This section of the financial report presents our discussion and analysis of the Bridgeport Public Library's financial performance during the year ended December 31, 2006. It is meant to provide an overall review of the Library's financial activities and provide a look at its past and current financial position. Readers should also review the Library's financial statements, immediately following this section, to enhance their understanding of the Library's financial performance.

The Bridgeport Public Library is a special purpose government engaged in a single government program of providing library services. The Governmental Accounting Standards Board (GASB) is the accounting standard-setting body for governmental entities. As allowed by GASB 34, for special purpose governments, the government-wide financial statements and the fund financial statements are combined.

Using this Annual Report

This annual report consists of the following three parts:

Management's Discussion and Analysis (this section)
Basic Financial Statements
Required Supplemental Information

These statements are organized to help the reader understand the financial position of the Bridgeport Public Library as a whole. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by required supplemental information that supports and further explains the financial statements with a comparison of the Library's budget for the year.

Government-Wide Financial Statements

The government-wide statements provide financial information of the Library as a whole. They report on the governmental activities of the Library, which includes the Library's basic services, including programming and technology. These activities are mostly funded by property taxes, penal fines and state shared revenue. These statements use the full accrual basis of accounting, similar to private sector companies. There are two Government-Wide statements: The Statement of Net Assets and the Statement of Activities.

BRIDGEPORT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2006

Government-wide Financial Statements (continued)

The Statement of Net Assets includes all the assets and liabilities of the Library, whether short-term or long-term, and regardless of whether or not they are currently available. As a result, capital assets of the Library are included in this statement.

The Statement of Activities accounts for current year revenues regardless of when cash is received or paid, consistent with the full accrual basis method of accounting.

When analyzed together, these two statements help the reader determine whether the Library is financially stronger or weaker as a result of the year's activities. Both statements report the Library's net assets, which is the difference between the Library's assets and liabilities. The change in net assets is one way to measure the Library's financial health or position. Over time, increases and decreases in the Library's net assets are an indicator of whether the Library's financial health is improving or deteriorating. However, the Library's goal is to provide services to our patrons, not generate profits as in the private sector. As a result, other non-financial factors should be considered in assessing the overall health of the Library. Such factors would include the condition of the Library's building and the property tax base of the library.

Fund Financial Statements

The fund financial statements focus is on providing more detailed information about the general fund of the Library and not on the Library as a whole, as reported in the government-wide statements. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. The fund statements provide a detailed short-term view of the Library's operations and help in determining whether there are more or less financial resources available in the near future to finance the Library's programs and services provided.

In general, the fund financial statements have changed very little as a result of GASB 34 requirements and are relatively comparable to financial statements issued before GASB 34 except for the general fixed asset account group is no longer reported.

BRIDGEPORT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2006

Summary of Net Assets

<u>Governmental Activities</u>	<u>2006</u>	<u>2005</u>
Assets		
Current assets	\$ 756,429	\$ 682,099
Capital assets	478,300	510,505
Total Assets	<u>1,234,729</u>	<u>1,192,604</u>
Liabilities		
Current liabilities	<u>301,167</u>	<u>285,975</u>
Total Liabilities	<u>301,167</u>	<u>285,975</u>
Net Assets		
Capital assets	478,300	510,505
Unrestricted	<u>455,262</u>	<u>396,124</u>
Total Net Assets	<u>\$ 933,562</u>	<u>\$ 906,629</u>

The net assets for the Library were \$933,562 at December 31, 2006. The largest portion of the Library's assets consists of investment in capital assets. The remainder of net assets is unrestricted and will be used to fund future programming.

Statement of Activities

	<u>2006</u>	<u>2005</u>
Revenues		
Current property taxes	\$ 281,704	\$ 274,303
State revenue	15,351	16,641
Penal fines	60,219	56,629
Interest earned	17,606	10,494
Other	<u>18,961</u>	<u>17,045</u>
Total Revenue	<u>393,841</u>	<u>375,112</u>
Expenses		
Library services	<u>342,086</u>	<u>334,437</u>
Change in net assets	51,755	40,675
Net assets-Beginning	906,629	865,954
Net assets-Ending	<u>\$ 958,384</u>	<u>\$ 906,629</u>

As shown above, the net assets for the Library increased by \$51,755 during the year. The significant reasons for the increase are explained on page five in the section entitled Analysis of Balances and Transactions of the General Fund.

BRIDGEPORT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2006

Statement of Activities (continued)

The Statement of Activities presented later provides greater detail on the Library's activity. The cost of providing Library services this year was \$342,086. The amount financed through property taxes was \$281,704.

Local Property Tax History

<u>Fiscal Year Revenue</u>	<u>% of Revenue</u>	<u>Local Property Tax</u>
2006	72%	\$ 281,704
2005	73%	274,303
2004	75%	268,166
2003	71%	266,893
2002	62%	171,817
2001	58%	160,107
2000	54%	155,573

Local property tax revenues in the table include the receipt of delinquent taxes from prior years.

Analysis of Balances and Transactions of the General Fund

A comparison between the 2006 and 2005 Operational budgets reflects the following significant differences:

	<u>2006</u>	<u>2005</u>	<u>Difference</u>
Revenues			
Tax	\$ 281,704	\$ 274,303	\$ 7,401
State	15,351	16,641	(1,290)
Penal fines	60,219	56,629	3,590
Interest	17,606	10,494	7,112
Other	18,961	17,045	1,916

2006 tax revenues increased by \$7,401 over 2005 revenues due to rising taxable values on township properties. State aid to libraries declined based on a lower legislated per capita rate. 2006 Penal fines increased by \$3,590 over 2005 figures, possibly due to sustained enforcement of vehicular laws. Interest income nearly doubled as interest rates rose throughout 2006 and the invested funds were rolled over at maturity.

BRIDGEPORT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2006

Analysis of Balances and Transactions of the General Fund (continued)

The cost of providing library services for the community rose by \$7,649, a modest 2% increase. This included a modest 4% increase in salaries and no appreciable increase in the cost of staff benefits. The library added \$51,755 to its fund balance this year compared with \$40,675 in 2005. The library board uses fund balances to pay for the general upkeep of the library facility and grounds. At the present time, there are no major projects planned.

Budget Variances First vs. Final Budget

The significant differences between the first and final budgets included an increase in the penal fines revenue of \$10,219. Our initial estimate of this revenue was based on reports of fewer citations being issued, projecting a decrease in fine revenue. However, the fine revenue increased slightly over the preceding year.

The increase of \$7,000 budgeted for interest income was based on higher interest rates on funds invested in certificates of deposit and the continued rollover of invested funds.

An \$8,030 increase in the amount expended for dues and fees was the result of the library board's engagement of a facilitator to assist with the updating of the Library's Strategic Plan.

Finally, the \$6,022 decrease in the amount expended for furniture and equipment was a reclassification of computer equipment purchases that did not meet the \$1,000 Capital Expense threshold.

Budget Variance Final Budget vs. Actual

Significant variances between the final budget figures and the actual amounts are due primarily to the receipt of a grant from the Gates Foundation to replace five computers. This in-kind donation is reflected in an increase in other revenues of \$4,796 and an increase in office supplies expenditures of \$4,938. The decrease of \$3,978 in the furniture and equipment budgeted amount is the result of reclassification of the computer equipment expense.

BRIDGEPORT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2006

Capital Assets

At the end of the year, the Library had \$478,300 invested in capital assets as follows:

	2006	2005
Construction in progress	\$ -	\$ 24,822
Land	7,000	7,000
Land improvements	15,481	15,481
Building	509,641	509,641
Building improvements	6,608	6,608
Equipment and furniture	16,510	26,010
Collection	970,817	934,481
Total capital assets	<u>1,526,057</u>	<u>1,524,043</u>
Less: Accumulated depreciation	<u>(1,047,757)</u>	<u>(1,013,538)</u>
Capital assets, net of depreciation	<u>\$ 478,300</u>	<u>\$ 510,505</u>

The Library added \$53,876 in additions to the collection.

Currently Known Facts

The library's 1.5 mil funding proposal was passed by the voters in August 2006, assuring continuance of operating funds for the next four years.

Requests for Information

This report is designed to provide a general overview for anyone interested in the Library's finances. Questions concerning this report should be addressed to:

Library Director
Bridgeport Public Library
3399 Williamson Road
Bridgeport, MI 48722

BASIC FINANCIAL STATEMENTS

Bridgeport Public Library
Governmental Fund Balance Sheet/Statement of Net Assets
December 31, 2006

	General Fund, Modified Accrual Basis	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash	\$ 148,833	\$ -	\$ 148,833
Cash, memorial	3,827	-	3,827
Investments	326,576	-	326,576
Taxes receivable	260,727	-	260,727
Prepays	16,466	-	16,466
Capital assets	-	478,300	478,300
Total Assets	<u>\$ 756,429</u>	<u>\$ 478,300</u>	<u>\$ 1,234,729</u>
<u>Liabilities</u>			
Liabilities			
Accrued payroll taxes	\$ 2,629	\$ -	\$ 2,629
Deferred revenue	298,538	-	298,538
Total Liabilities	<u>301,167</u>	<u>-</u>	<u>301,167</u>
Fund Balance/Net Assets			
Fund Balance			
Undesignated, unreserved	455,262	(455,262)	-
Total Fund Balance	<u>455,262</u>	<u>(455,262)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 756,429</u>		
Net assets:			
Investment in capital assets		478,300	478,300
Unrestricted		455,262	455,262
Total Net Assets		<u>\$ 478,300</u>	<u>\$ 933,562</u>

The accompanying notes are an integral part of these financial statements.

Bridgeport Public Library
Reconciliation of Balance Sheet of Governmental Fund To Statement of Net Assets
December 31, 2006

Total Fund Balances - Governmental Funds	\$ 455,262
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	478,300
Total Net Assets - Government-Wide	<u>\$ 933,562</u>

The accompanying notes are an integral part of these financial statements.

Bridgeport Public Library
Statement of Governmental Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
For the Year Ended December 31, 2006

	General Fund, Modified Accrual Basis	Adjustments	Statement of Activities
<u>Revenue</u>			
Current property taxes	\$ 281,704	\$ -	\$ 281,704
State revenue	15,351	-	15,351
Telephone	299	-	299
Book fines and fees	8,921	-	8,921
Penal fines	60,219	-	60,219
Interest earned	17,606	-	17,606
Copy machine	2,006	-	2,006
Video rental	1,119	-	1,119
Other	6,616	-	6,616
Total Revenue	<u>393,841</u>	<u>-</u>	<u>393,841</u>
<u>Expenditures/expenses</u>			
Salaries	145,101	-	145,101
Payroll taxes	11,100	-	11,100
Retirement	6,362	-	6,362
Employees benefit	28,240	-	28,240
General insurance	3,381	-	3,381
Office supplies	13,176	-	13,176
Postage	2,015	-	2,015
Dues and fees	14,747	-	14,747
Dynix cost	9,956	-	9,956
Telephone	1,699	-	1,699
Utilities	12,809	-	12,809
Repairs & maintenance	18,087	-	18,087
Printing	968	-	968
Programs	2,360	-	2,360
Professional fees	3,039	-	3,039
Other	2,282	-	2,282
Periodicals	3,613	-	3,613
Capital outlay			
Books & cassettes	55,768	(55,768)	-
Depreciation	-	63,151	63,151
Total Expenditures/expenses	<u>334,703</u>	<u>7,383</u>	<u>342,086</u>
Excess (deficit) of revenues over expenditures/Change in Net Assets	59,138	(7,383)	51,755
Fund Balance/Net Assets Beginning	396,124	510,505	906,629
Fund Balance/ Net Assets Ending	<u>\$ 455,262</u>	<u>\$ 503,122</u>	<u>\$ 958,384</u>

The accompanying notes are an integral part of these financial statements.

Bridgeport Public Library
Reconciliation of Statement of Revenue, Expenditures, and Changes in
Fund Balances of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2006

Net Change in Fund Balances - Governmental Funds	\$ 59,138
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Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	55,768
Depreciation	(63,151)

Change in Net Assets-Governmental-wide	<u>\$ 51,755</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

BRIDGEPORT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies

The Reporting Entity

The Bridgeport Public Library was established in 1980, under Public Act 164 of 1877, as amended. An independently elected board of six trustees sets policy, plans for future direction, and takes responsibility for the overall operations of the Library.

The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special relationships. On this basis, the financial statements of the Library are not included in other governmental entities.

The financial statements of the Bridgeport Public Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to the Library. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Library. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. At this time, the Library has no business type activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

NOTE 1--Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Library reports only one fund as follows:

- The General Fund is used to record the operations and maintenance of the Library. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Equity

Cash and investments – The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificates of deposit are stated at cost which approximates fair value.

Receivables – Property tax receivables are shown as gross amounts since uncollectible personal property taxes are undeterminable at year end and the County settles for all real property taxes.

Property tax is levied each December 1, on the Taxable Value of Bridgeport Township personal and real property. It is the policy of the Board of Trustees to recognize revenues from the current property tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for financing library operations. The amount levied in 2005 for the 2006 library operations was 1.5 mills.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

BRIDGEPORT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Capital assets – The Library defines capital assets as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Library does not have infrastructure assets. Capital assets are depreciated using the straight-line method over the following useful lives:

Building and building improvement	20 to 50 years
Equipment and furniture	5 to 10 years
Collections	2 to 3 years

Deferred revenue – Property taxes levied in 2006 for the 2007 operations are recognized as deferred revenue. In addition, State revenue received in advance is recorded as deferred revenue.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

NOTE 2--Budgetary Policies and Data

The State of Michigan adopted a Uniform Budgeting and Accounting Act (ACT) applicable to all local governmental entities in the State. The law requires appropriation acts to be adopted for the general fund.

The Board adopts a budget based on the modified-accrual basis of accounting for the general fund. The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. A library is not considered to be in violation of the Act if reasonable procedures are in use by the library to detect violations.

BRIDGEPORT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Budgetary Policies and Data (continued)

The Bridgeport Public Library uses these procedures in establishing the budgetary data reflected in the financial statements:

1. The Library Director submits to the Board a proposed budget before January 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The Library Director is authorized to transfer budgeted amounts between functions; however, any revisions that alter the total expenditures of any fund must be approved by the Board.
4. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. The budget is amended by the Board as needed through out the year.

NOTE 3--Capital Assets

A summary of the changes in capital assets is as follows:

	December 31, 2005	Additions	Adjustment Disposals	December 31, 2006
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Construction in progress	\$ 24,822	\$ -	\$ 24,822	\$ -
Land	7,000	-	-	7,000
Total capital assets not being depreciated	<u>31,822</u>	<u>-</u>	<u>24,822</u>	<u>7,000</u>
Capital assets being depreciated				
Land improvements	15,481	-	-	15,481
Building	509,641	-	-	509,641
Building improvements	6,608	-	-	6,608
Equipment and furniture	26,010	-	9,500	16,510
Collection	934,481	55,768	19,432	970,817
Total capital assets being depreciated	<u>1,492,221</u>	<u>55,768</u>	<u>53,754</u>	<u>1,519,057</u>
Less: Accumulated depreciation	<u>(1,013,538)</u>	<u>(63,151)</u>	<u>(28,932)</u>	<u>(1,047,757)</u>
Governmental activities Capital assets, net of depreciation	<u>\$ 510,505</u>	<u>\$ (7,383)</u>	<u>\$ 49,644</u>	<u>\$ 478,300</u>

BRIDGEPORT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Deposits and Investments

The library is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The library is also authorized by the State of Michigan to invest in the following:

- a. U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury STRIPS
- b. TINTS-Treasury Interest Securities
- c. PRINS or STRIPS-Treasury Principal Securities
- d. Certificates of Deposits, Saving Deposit Receipt and Savings Accounts,
- e. Commercial Paper-short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short-term cash
- f. Repurchase Agreements
- g. Banker's Acceptance
- h. Investment Pools

Cash and investments of \$162,056 and \$326,576, respectively are held at federally insured financial institutions. The FDIC insures up to \$100,000 in deposits. However, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for purposes of applying the \$100,000 limit.

The Library's deposits are categorized below according to level of credit risk:

- Category 1 represents the Library's insured or collateralized deposits with securities held by the Library or by its agent in the Library's name.
- Category 2 represents the Library's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Library's name.
- Category 3 represents the Library's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Library's name.

A summary of cash and investments is as follows:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Checking	\$ 128,980	\$ -	\$ 33,076	\$ 162,056	\$ 152,660
Certificates of deposit	61,566	-	265,010	326,576	326,576
Totals	<u>\$ 190,546</u>	<u>\$ -</u>	<u>\$ 298,086</u>	<u>\$ 488,632</u>	<u>\$ 479,236</u>

BRIDGEPORT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Deposits and Investments (continued)

It is the policy of the Bridgeport Public Library to invest its funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow needs at the library and complying with all state statutes governing the investment of public funds.

NOTE 5--Pension Expense

The Bridgeport Public Library Retirement Plan, which is a non-qualified 403(b) defined contribution plan, provides pension benefits for qualifying employees. The plan is administered by the Library's Board of Trustees. Under the plan, employees who work more than or equal to 40 hours per week are eligible to participate. Those employees can elect to make deferred compensation payments to the plan upon their employment commencement date. To be eligible to receive employer contributions to the plan, an employee must be 18 years old or older. Contributions to the plan are made at the discretion of the Board of Trustees. Plan provisions and contribution requirements are established and may be amended by the Bridgeport Library Trustees.

The Bridgeport Public Library made contributions of \$6,362 on behalf of the employees for the year ending December 31, 2006.

NOTE 6--Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During the year ended December 31, 2006, the Library carried commercial insurance for the above listed risks of loss.

REQUIRED SUPPLEMENTAL INFORMATION

Bridgeport Public library
 Budgetary Comparison-General Fund
 For The Year Ended December 31, 2006

	Budget Amounts			Actual Over (Under) Budget
	Original	Final	Actual	
Revenue				
Current property taxes	\$ 280,000	\$ 281,079	\$ 281,704	\$ 625
State revenue	15,028	15,351	15,351	-
Telephone	400	300	299	(1)
Book fines and fees	10,000	9,000	8,921	(79)
Penal fines	50,000	60,219	60,219	-
Interest earned	7,000	14,000	17,606	3,606
Copy machine	2,500	2,000	2,006	6
Video rental	900	1,100	1,119	19
Other	2,820	1,820	6,616	4,796
Total Revenues	368,648	384,869	393,841	8,972
Expenditures				
Salaries	145,000	145,500	145,101	(399)
Payroll taxes	11,500	11,500	11,100	(400)
Retirement	6,360	6,360	6,362	2
Employees benefit	31,250	27,902	28,240	338
General insurance	4,500	3,380	3,381	1
Office supplies	5,000	8,238	13,176	4,938
Postage	3,500	2,000	2,015	15
Dues and fees	6,200	14,230	14,747	517
Dynix cost	13,000	12,343	9,956	(2,387)
Telephone	2,000	1,700	1,699	(1)
Utilities	14,000	12,796	12,809	13
Repairs & maintenance	20,000	18,022	18,087	65
Printing	500	968	968	-
Programs	5,000	2,500	2,360	(140)
Professional fees	4,000	3,200	3,039	(161)
Other	3,700	2,584	2,282	(302)
Periodicals	3,500	3,613	3,613	-
Capital outlay				-
Books & cassettes	55,200	56,202	55,768	(434)
Furniture & equipment	10,000	3,978	-	(3,978)
Total Expenditures	344,210	337,016	334,703	(2,313)
Excess (deficit) of revenues over expenditures	24,438	47,853	59,138	11,285
Fund Balance, Beginning	396,124	396,124	396,124	-
Fund Balance, Ending	\$ 420,562	\$ 443,977	\$ 455,262	\$ 11,285

The accompanying notes are an integral part of these financial statements.